

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

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AID-05 COME-00 EB-08 FRB-01 TRSE-00 XMB-04 OPIC-06

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FM AMCONSUL MONTREAL

TO SECSTATE WASHDC 8603

INFO AMEMBASSY OTTAWA

AMCONSUL QUEBEC

AMCONSUL TORONTO BY POUCH

UNCLAS MONTREAL 265

E. O. 11652: N/A

TAGS: EFIN, ECON, CA

SUBJ: ROYAL BANK SHIFTS 100 JOBS TO TORONTO

1. ROYAL BANK OF CANADA - THE LARGEST OF CANADA'S BANKS - ANNOUNCED FEBRUARY 15 THAT IT WILL MOVE PARTS OF THREE HEAD OFFICE OPERATING DEPARTMENTS FROM MONTREAL TO TORONTO. THREE DEPARTMENTS BEING MOVED ARE: INVESTMENTS, INTERNATIONAL MONEY MARKETS, AND CORPORATE MARKETING AND DEVELOPMENT. MOVE WILL INVOLVE APPROXIMATELY 100 PEOPLE OUT OF HEAD OFFICE STAFF IN MONTREAL NUMBERING ABOUT 2,000.

2. IN PUBLIC STATEMENT, ROWLAND C. FRAZEE, EXECUTIVE VICE PRESIDENT, SAID THAT MOVE WAS COMPLETELY UNRELATED TO QUESTIONS OF POLITICAL ENVIRONMENT, LANGUAGE, OR RECENT QUEBEC ELECTION. WITH REGARD TO ELECTION OF PQ, FRAZEE SAID MOVE WOULD HAVE OCCURRED EVEN IF LIBERALS HAD BEEN RE-ELECTED IN PROVINCIAL ELECTIONS. FRAZEE ADDED THAT MOVE REFLECTS FACT THAT TORONTO HAS CONTINUED TO GROW AS INCREASINGLY IMPORTANT CENTER OF FINANCIAL ACTIVITY AND THAT ROYAL BANK HAD TO TAKE STEPS TO STRENGTHEN ITS PRESENCE IN TORONTO, WHERE SEVERAL OF ROYAL
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BANK'S MAIN COMPETITORS HAVE THEIR MAIN OFFICES.

3. ACTIVITIES OF THE THREE DEPARTMENTS INVOLVED NECESSITATED INCREASED PRESENCE IN TORONTO. WITH STRENGTH OF TORONTO IN STOCK, BOND, AND MONEY MARKET TRADING, IT WAS NATURAL, FRAZEE SAID, THAT THE BANK'S INVESTMENT DEPARTMENT BE CENTERED IN TORONTO, ALTHOUGH A FULL CAPABILITY IN INVESTMENT MARKETS

WOULD CONTINUE TO BE MAINTAINED IN MONTREAL. FACT THAT CANADIAN FOREIGN EXCHANGE TRADING MARKET CENTERED IN TORONTO MADE TRANSFER OF INTERNATIONAL MONEY MARKET DEPARTMENT INEVITABLE. SIMILARLY, FACT THAT INCREASING NUMBER OF CANADIAN CORPORATIONS NOW ARE LOCATED IN ONTARIO MADE IT ADVISABLE TO MOVE CORPORATE MARKETING DEPARTMENT TO TORONTO, WHERE STAFF RESPONSIBLE FOR SELLING BANK'S SERVICES TO MAJOR CORPORATIONS WOULD HAVE EASIER ACCESS TO THEIR CLIENTS.

4. COMMENT: CONTACTS IN BANK HAVE ASSURED US THAT STUDY ON MOVE OF THREE DEPARTMENTS TO TORONTO WAS BEGUN SIX MONTHS AGO AND HAD NOTHING TO DO WITH ELECTION OF PQ. BANK HAS BEEN CONCERNED FOR SOME TIME ABOUT POSSIBLE LOSS OF COMPETITIVE POSITION IN TORONTO MARKET, AND HAS BEEN SENSITIVE TO CHARGES THAT IT WAS SLOW IN TAKING MEASURES TO STRENGTHEN ITS POSITION IN TORONTO. CONTACT SAID IT WAS IMPORTANT TO NOTE THAT ONLY ONE EXECUTIVE OFFICER WAS BEING TRANSFERRED TO TORONTO AND THAT THAT EXECUTIVE HAD RANK OF ASSISTANT GENERAL MANAGER, OF WHICH THERE ARE TOTAL OF EIGHTY-FIVE IN BANK.

4. PRESIDENT OF MONTREAL BOARD OF TRADE WAS QUOTED IN PRESS AS SAYING THAT PUBLIC MANNER IN WHICH ANNOUNCEMENT WAS MADE IMPLIED THAT BANK WAS DELIVERING "SOME KIND OF MESSAGE". BANK SPOKESMAN VEHEMENTLY DENIED THIS AND SAID THAT BANK'S MANAGEMENT HAD WISHED TO AVOID WILD RUMORS THAT HAD OCCURRED IN PAST WHEN SOME COMPETITORS TRIED TO "SNEAK" EMPLOYEES OUT OF MONTREAL. ROYAL BANK HAD HOPED THAT WITH PUBLIC ANNOUNCEMENT IT WOULD NOT BE PLAGUED BY ONGOING INQUISITION IN WHICH

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NUMEROUS BANK OFFICIALS MIGHT ALL RESPOND DIFFERENTLY. IN PRESENT POLITICAL ENVIRONMENT ROYAL BANK THOUGHT ITS ONLY ALTERNATIVE WAS TO MAKE PUBLIC ANNOUNCEMENT, AS ANY OTHER COURSE OF ACTION WOULD HAVE FUELED SUSPICIONS THAT BANK WAS REALLY REACTING TO POLITICAL SITUATION.

5. DESPITE ROYAL BANK'S PROTESTATIONS, MOVE WILL STILL BE INTERPRETED BY MANY AS REACTION TO POLITICAL SITUATION IN QUEBEC. BANK OFFICIALS HAVE SPENT MOST OF TODAY RESPONDING TO REQUESTS FOR MEDIA INTERVIEWS WHERE MAIN INTEREST SEEMS TO BE IN GETTING BANK TO ADMIT THAT IT IS DISSATISFIED WITH QUEBEC ENVIRONMENT. PSYCHOLOGICALLY, MOVE WILL HAVE EFFECT OF REENFORCING VIEWS OF THOSE WHO BELIEVE QUEBEC IS A GOOD PLACE TO STAY AWAY FROM THESE DAYS.
HARPER

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